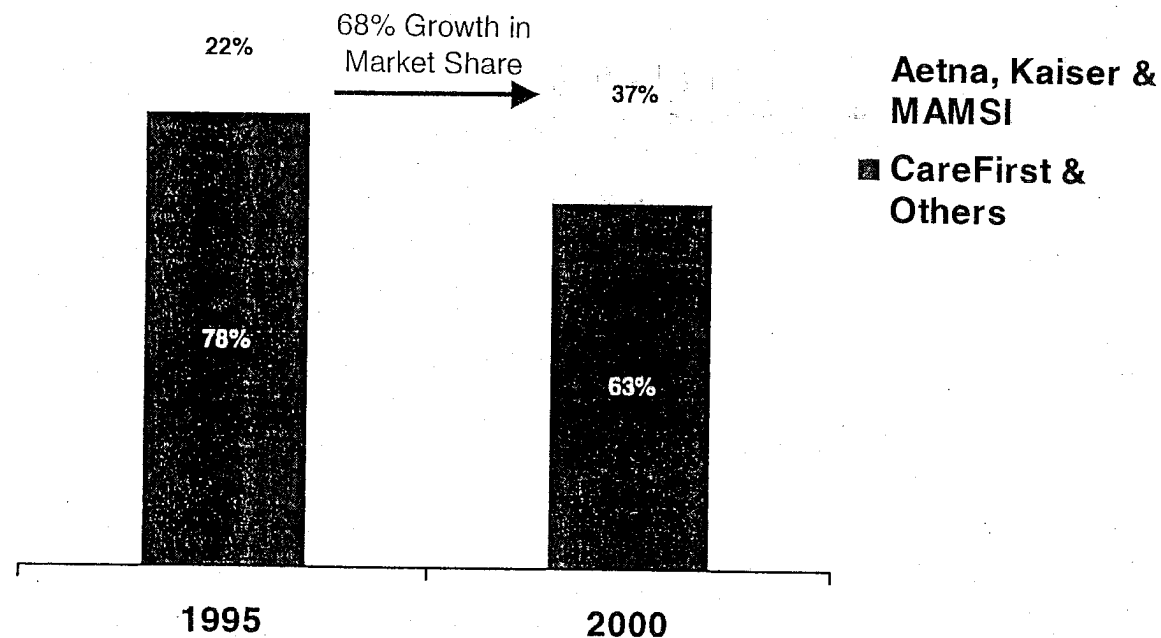


CareFirst's three largest competitors in the region have increased their combined market share in the last 5 years from 22% to 37%.

CareFirst's Top Three Competitors Market Share Change, 1995-2000
(market share in CareFirst's market area)



Source: CareFirst Data; Accenture Analysis

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Health Plans Being Squeezed

Health Plans Expand & Access Equity

National Trends Playing Out in Mid-Atlantic Region

CareFirst Must Gain Substantial Scale & Access Capital

Timing Appears Favorable for CareFirst to Act

CareFirst's Constituents Likely to Benefit

OCC 002115

Proceeds from the for-profit conversion of CareFirst would create an independent, community-focused Public Benefit Organization.

Public Benefit Organization Overview

- The conversion of CareFirst to a for-profit organization creates an opportunity to address unmet public healthcare needs in Maryland, D.C. and Delaware through the establishment of a Public Benefit Organization
 - A Public Benefit Organization (PBO) is a charitable foundation that is established in recognition of the tax benefits a non-profit organization received before converting to a for-profit status
 - According to Grantmakers in Health, such conversions of non-profit health companies have created funds that total more than \$16.3 billion in assets, and in many communities, represent the largest sources of non-governmental healthcare funding
- To maintain tax exempt status, foundations are required by the Internal Revenue Service to make direct qualifying investments each year to the mission they support, which for most foundations, translates to 5% of their assets
- If 5% is applied to the current value of assets in foundations established by converted BCBS plans, estimated at \$6.2 billion*, over \$310MM will be donated this year to address the unmet health care needs of local communities

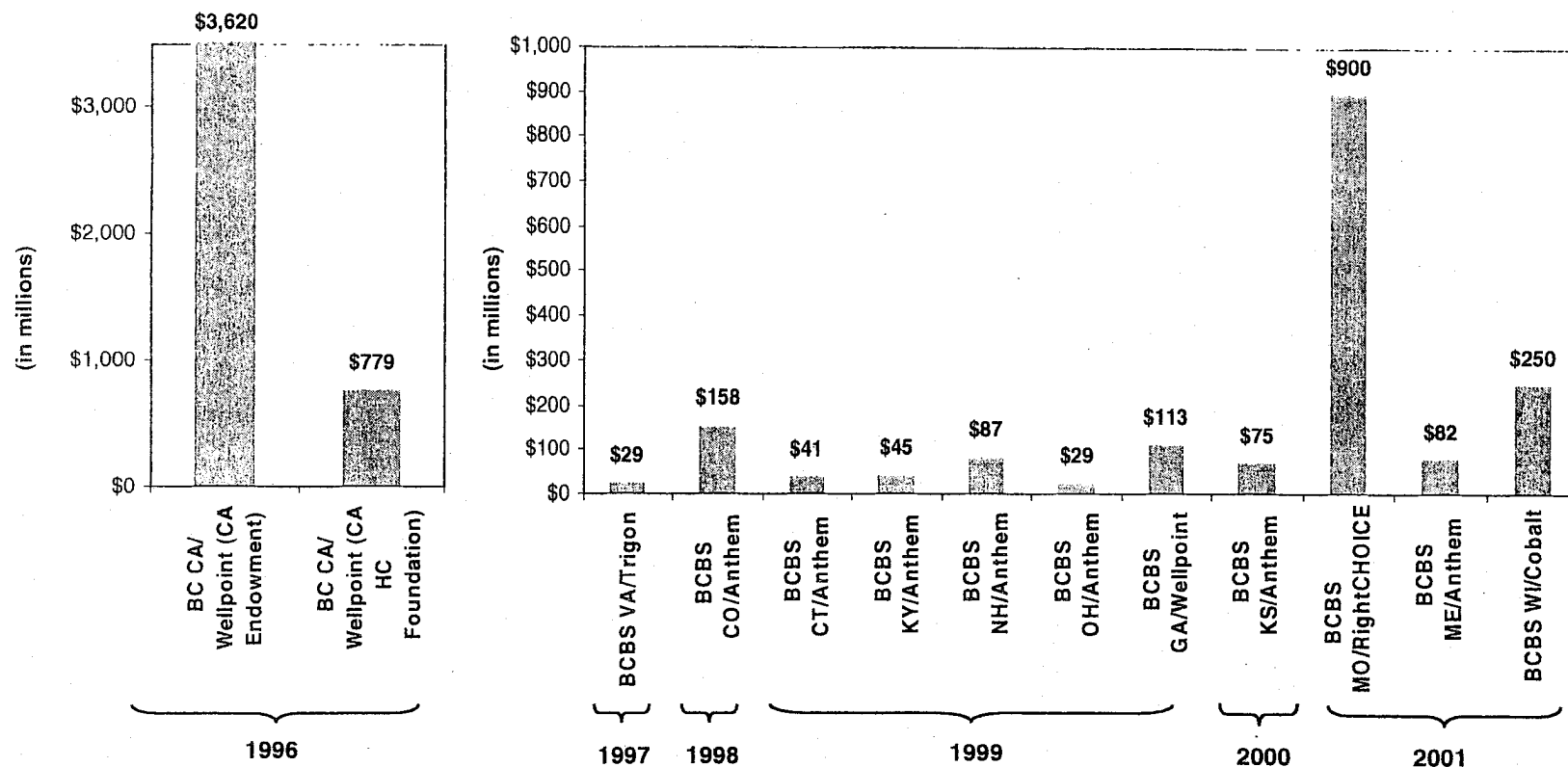
**Blue Cross Blue Shield foundations included in \$6.2 billion estimate are outlined in the following slide*

Source: CareFirst Data; Grant Makers in Health, *A Profile of New Health Foundations*, March 2001; IRS website, www.irs.gov

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The conversion of 12 other BCBS plans in the U.S. has led to the creation of foundations that currently total \$6.2 billion*.

Foundations Established as a Result of For-Profit Blues Conversion Activity



*Most recent value of foundation publicly reported. Values of foundations created by publicly traded companies may be stock-based, and could fluctuate with stock price changes.

Source: Grant Makers in Health, A Profile of New Health Foundations, March 2001; Health Plan Press Releases; Community Catalyst website; Foundation Center website;

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OCC 002117


Many foundations target funding to increase access to healthcare, as well as to enhance the quality of care for people in their regions.

General Focus	Specific Focus	Foundation Name
Access to Healthcare	• Access to healthcare, multicultural health & general health	• The California Endowment*
	• Improve access for uninsured	• Maine Health Access Foundation
	• Payment for healthcare services	• Sunflower Foundation (KS)
	• Fund unmet healthcare needs	• Foundation for a Healthy Kentucky
	• Managed care, the uninsured, health policy & quality	• CA HealthCare Foundation
	• Healthcare needs of uninsured & under-insured	• Missouri Health Foundation*
	• Serve underserved or uninsured	• Anthem Foundations of Connecticut
Quality	• Improve healthcare	• HealthCare Georgia
	• Improve health and reduce the burden of illness	• Endowment for Health (NH)
	• Improve healthcare through capital projects, equipment & technology	• Caring for Colorado
Research	• Support for human research	• Commonwealth Health Research Fund (VA)
Medical Schools	• Funding for state medical schools and public health	• Wisconsin United for Health*
Oral Care	• Preventive oral care and prevention of family violence	• The Anthem Foundation of Ohio

*Largest healthcare foundation in state

Source: Grant Makers in Health, *A Profile of New Health Foundations*, March 2001; Health Plan Press Releases; Community Catalyst website; Foundation Center website; Foundation websites

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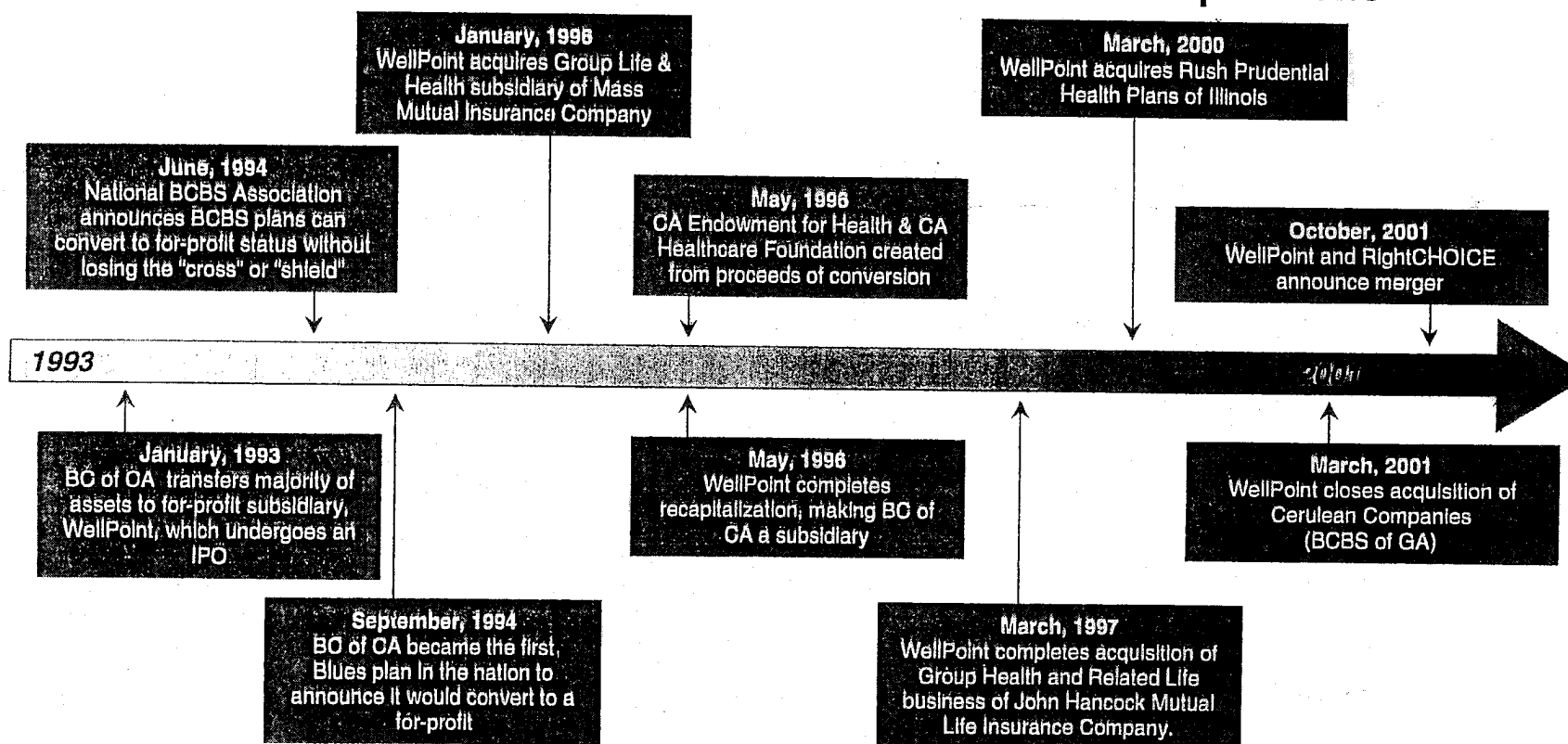
California

CASE STUDY SLIDES

OCC 002119

Since Blue Cross of California converted in 1993, it has acquired four other health plans and is currently seeking approval to acquire RightCHOICE/BCBS MO.

Timeline of Blue Cross of California Conversion and Acquisitions



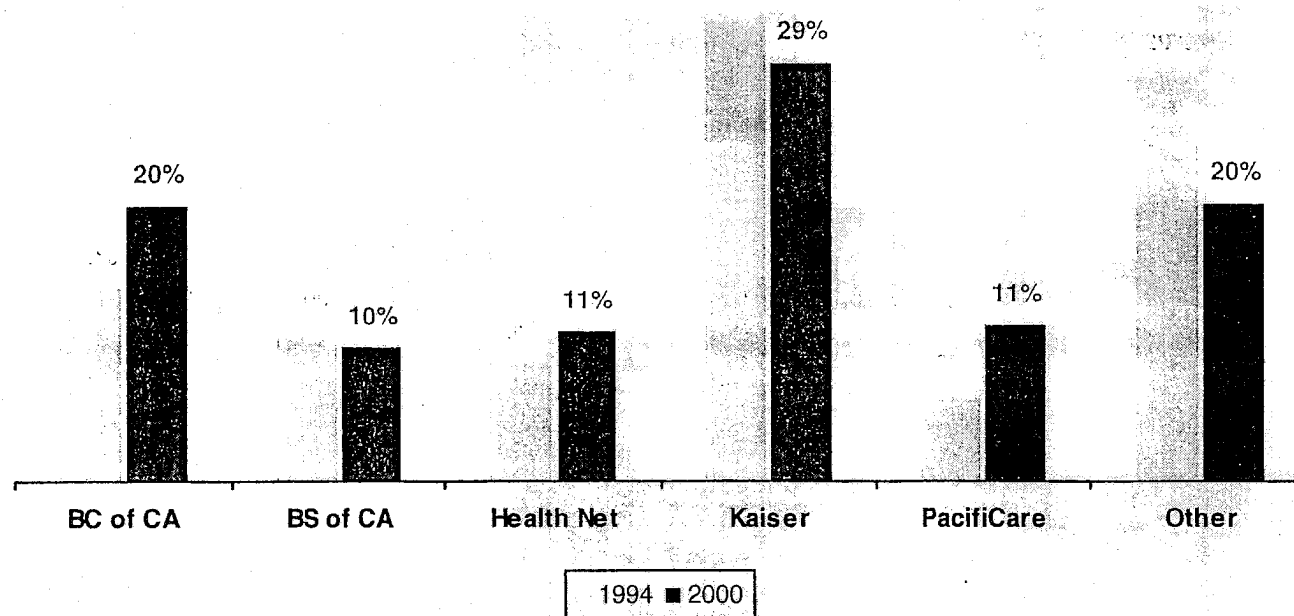
Source: Community Catalyst, Blue Cross of California website

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OCC 002120

Although Kaiser has maintained its leadership position in California over the last several years, Blue Cross is closing the gap, with PacifiCare and Health Net also gaining ground.

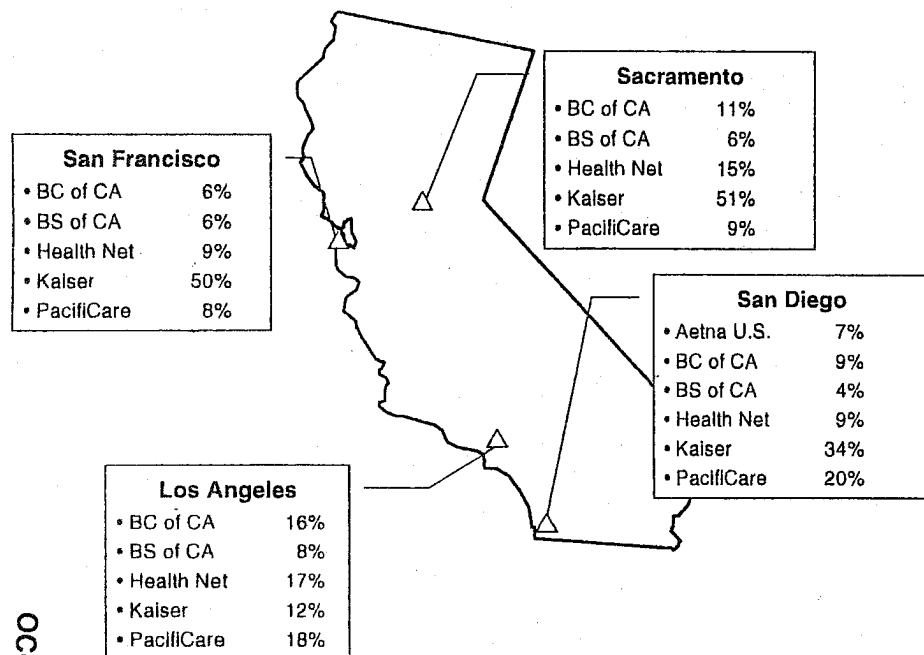
California HMO Market Share (1994 & 2000)



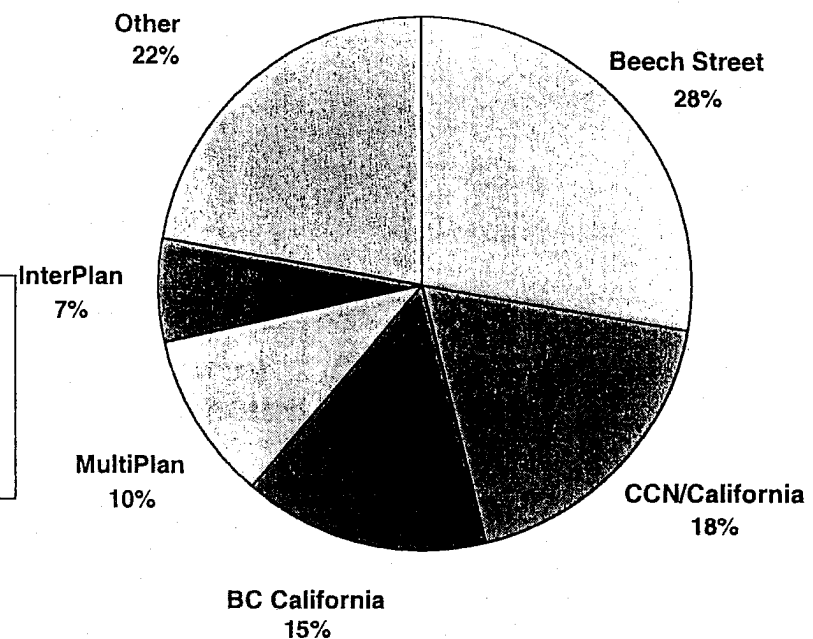
Source: InterStudy, The National HMO Financial Database, 1994-2000; data pulled from state Department of Insurance filings

Blue Cross of California strongest HMO presence is in Los Angeles; statewide, Blue Cross is the third largest PPO provider.

HMO Market Share within MSAs
(2000 & 2001)



PPO Market Share
(2000)

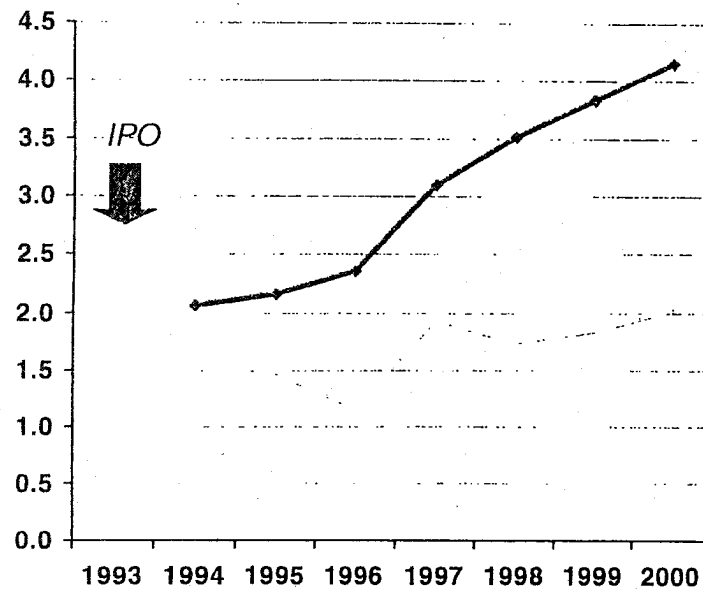


Source: Gartner, *Healthcare Market Overview for Los Angeles, Sacramento, San Diego and San Francisco*, 2000 & 2001; InterStudy, PPO Directory and Performance Report 2.0, 2001

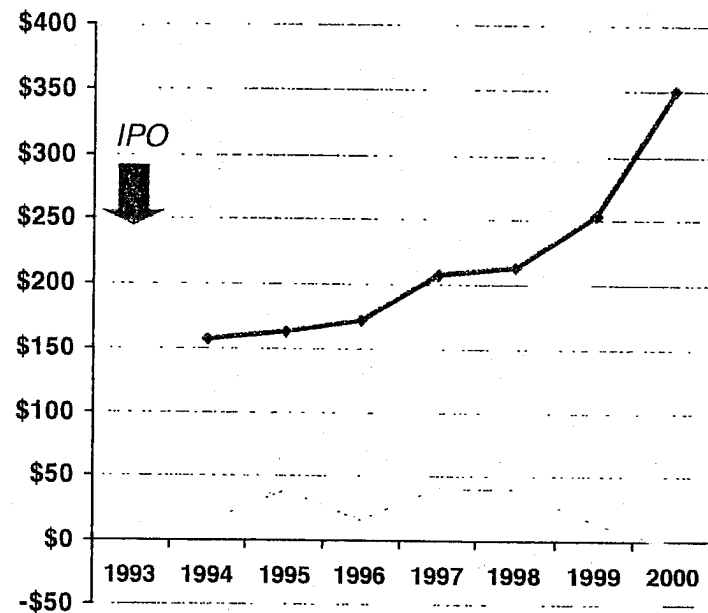
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Since its IPO, Blue Cross of California has experienced robust membership growth and healthy net income as compared to the non-profit Blue Shield of California.

Membership - California
(in Millions)



Net Income - California
(\$ in Millions)



■ Blue Cross of CA ▨ Blue Shield of CA

Source: InterStudy, The National HMO Financial Database, 1994-2000; data pulled from state Department of Insurance filings; Blue Cross membership figures include 125,000 members acquired through Omni Health Plan acquisition

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